

VELUX A/S

Ådalsvej 99, 2970 Hørsholm

CVR no. 30 00 35 19

Annual report

for the year 1 January - 31 December 2022

Approved at the Company's annual general meeting on 13 April 2023

Chair of the meeting:



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Teodora Anda Grosu

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of VELUX A/S for the financial year 1 January - 31 December 2022.

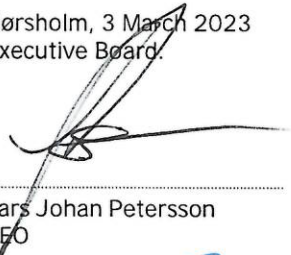
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Hørsholm, 3 March 2023
Executive Board

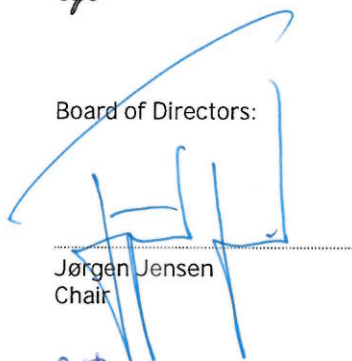


Lars Johan Petersson
CEO



Anders Götzsche
CFO

Board of Directors:



Jørgen Jensen
Chair



Nils Gunnar Henrik Lange
Deputy chair



Mads Kann-Rasmussen



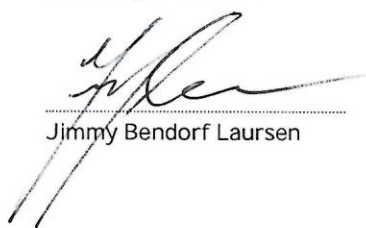
Karina Kjær Deacon



Eva Birgitte Bisgaard



Jean-Marc Denis Lechene



Jimmy Bendorf Laursen



Kurt Emil Eriksen



Finn Westergaard
Christiansen

Independent auditor's report

To the shareholders of VELUX A/S

Opinion

We have audited the financial statements of VELUX A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.


Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 3 March 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 38



Torben Bender
State Authorised Public Accountant
mne21332



Morten Østergaard Koch
State Authorised Public Accountant
mne35420

Management's review

Company details

Name	VELUX A/S
Address, Postal code, City	Ådalsvej 99, 2970 Hørsholm
CVR no.	30 00 35 19
Established	26 June 1970
Registered office	Hørsholm
Financial year	1 January - 31 December
Website	www.velux.com
Telephone	+45 45 16 40 00
Board of Directors	Jørgen Jensen, Chair Nils Gunnar Henrik Lange, Deputy chair Mads Kann-Rasmussen Karina Kjær Deacon Eva Birgitte Bisgaard Jean-Marc Denis Lechene Jimmy Bendorf Laursen Kurt Emil Eriksen Finn Westergaard Christiansen
Executive Board	Lars Johan Petersson, CEO Anders Götzsche, CFO
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKKm	2022	2021	2020	2019	2018
Key figures					
Revenue	18,184	16,372	14,618	13,213	12,772
Profit before interest and tax (EBIT)	1	120	274	52	247
Investment in tangible fixed assets (net)	119	25	18	17	31
Net financials	-108	-139	73	3	2
Profit before tax	618	689	981	546	825
Profit for the year	639	691	903	538	764
Total assets					
Total assets	10,916	9,101	7,811	7,943	8,195
Equity					
Equity	2,143	2,013	2,146	2,070	2,256
Financial ratios					
Equity ratio	19.6%	22.1%	27.5%	26.1%	27.5%
EBIT-margin	0.0%	0.7%	1.9%	0.4%	1.9%
Return on invested capital	0.1%	6.1%	18.0%	3.1%	14.2%
Average number of full-time employees					
Average number of full-time employees	1,299	1,241	1,185	1,193	1,182

Management's review

Business review

VELUX A/S is a 100% owned subsidiary of VKR Holding A/S and the main activity is to produce, market and sell roof windows and accessories hereto.

Financial review

The income statement for 2022 shows a profit of DKK 639 million against a profit of DKK 691 million last year, and the balance sheet at 31 December 2022 shows equity of DKK 2,143 million.

In the annual report for 2021, Management expected a profit for 2022 at a higher level as in 2021. The financial year 2022 end slightly below the expectations expressed in the annual report for 2021, but the realised results are considered satisfactory in the light of the macro-economic turbulence during 2022.

Knowledge resources

The Company regularly reviews the need to attract, develop and retain employees with an appropriate level of competence.

Financial risks

The Company's main risk concerns the ability of continuing as a leading supplier of roof windows for the markets where the Company is represented. The Company is also affected by the construction business cyclical conditions.

The Company's currency risks are handled according to the currency policy approved by the Board of directors.

The Company does not have any significant risks regarding individual customers or collaborators beyond what is usual for the industry as well as common customer/supplier relationship.

Impact on the external environment

The VELUX Group 2030 Sustainability Strategy contains 15 targets covering material social and environmental topics. The strategy and targets have been approved by the VELUX Management Group and Board of Directors and the company has defined roadmaps and KPIs to drive implementation and enable follow up. During 2022 the Company worked towards having the same level of governance and scrutiny around our sustainability data (ESG) as there is around the financial data.

The VELUX Group 2030 Sustainability Strategy includes targets to reduce CO2 emissions from the Company and value chain in line with the most ambitious pathway of the Paris Agreement. During 2021, the Company made a Purchasing Power Agreement on 100% renewable electricity to replace energy sourced from fossil fuels by 2023.

Management's review

Corporate social responsibility and diversity goals

For information about the Company's corporate social responsibility (CSR), pursuant to section 99a of the Danish Financial Statements Act, please refer to the consolidated financial statements of VKR Holding A/S, company reg. no. (CVR) 30 83 04 15, that includes a CSR report for the entire VKR Group.

The Company acknowledges the value of equality and diversity, which has resulted in a target of diversity for the Board of Directors and other management levels. Information is provided pursuant to section 99b of the Danish Financial Statements Act.

In 2022, our Board of Directors included 2 assembly selected women and 4 assembly selected men, which is considered to be an adequate gender distribution by the Danish Business Authority. During 2022 there have been 6 assembly selected board members compared to 2021 where there were 7 assembly selected board members.

In 2022, 70 women and 165 men occupied management positions (30/70%) and 45 women and 92 men occupied senior management positions (33/67%). The ambition is to increase the number of women in management positions by 2030. The target is that 45% of management positions and 40% of senior management positions are held by women. Management positions include personnel with staff responsibilities. Senior management positions include personnel with staff responsibilities that are three organizational levels below the CEO and above.

The ambition has been backed up by different initiatives such as specific talent programmes for women, role models, mentorship etc. The initiatives will be carried forward into 2023.

Data ethics

For information about the company's policy for data ethics, cf. section 99d of the Danish Financial Statements Act, please refer to the consolidated financial statements of VKR Holding A/S. The consolidated financial statements 2022 for VKR Holding A/S, CVR no. 30 83 04 15, are published on the Company's website.

Outlook

Management forecasts revenue and profit for 2023 at approximately the same level as in 2022.

Financial statements 1 January - 31 December

Income statement

Note	DKKm	2022	2021
2	Revenue	18,184	16,372
	Change in inventories of finished goods	601	479
	Other operating income	150	125
	Costs of goods	-11,569	-10,000
	Other external expenses	-6,031	-5,647
	Gross profit	1,335	1,329
3	Employee costs	-1,260	-1,105
	Depreciation, amortisation and impairment losses	-74	-104
	Profit before net financials	1	120
	Profit/loss from investments in subsidiaries	725	708
4	Financial income	61	44
5	Financial expenses	-169	-183
	Profit before tax	618	689
	Tax	21	2
	Profit for the year	639	691

Financial statements 1 January - 31 December

Balance sheet

Note	DKKm	2022	2021
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Completed development projects	0	0
	Acquired intangible assets	43	84
	Prepayments for intangible assets	7	0
		<u>50</u>	<u>84</u>
7	Property, plant and equipment		
	Land and buildings	0	6
	Other fixtures and fittings, tools and equipment	59	49
	Prepayments and assets under construction	98	13
		<u>157</u>	<u>68</u>
8	Investments		
	Investments in subsidiaries	6,455	6,017
	Receivables from affiliated companies	883	768
	Other receivables	24	3
		<u>7,362</u>	<u>6,788</u>
	Total fixed assets	<u>7,569</u>	<u>6,940</u>
	Non-fixed assets		
	Inventories		
	Finished goods	1,712	1,111
	Prepayments for goods	26	26
		<u>1,738</u>	<u>1,137</u>
	Receivables		
	Trade receivables	11	7
	Receivables from affiliated companies	820	457
11	Deferred tax assets	33	18
	Other receivables	598	368
9	Prepayments	115	137
		<u>1,577</u>	<u>987</u>
	Cash	32	37
	Total non-fixed assets	<u>3,347</u>	<u>2,161</u>
	TOTAL ASSETS	<u>10,916</u>	<u>9,101</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKKm	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	110	100
	Share premium account	0	0
	Reserve for net revaluation according to the equity method	0	0
	Retained earnings	1,394	1,222
	Proposed dividend	639	691
	Total equity	<u>2,143</u>	<u>2,013</u>
	Provisions		
13	Other provisions	<u>328</u>	<u>216</u>
	Total provisions	<u>328</u>	<u>216</u>
	Liabilities other than provisions		
12	Non-current liabilities other than provisions		
	Payables to group entities	<u>191</u>	<u>193</u>
		<u>191</u>	<u>193</u>
	Current liabilities other than provisions		
	Trade payables	347	284
	Payables to affiliated companies	7,688	6,106
	Other current liabilities	219	289
		<u>8,254</u>	<u>6,679</u>
	Total liabilities other than provisions	<u>8,445</u>	<u>6,872</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>10,916</u></u>	<u><u>9,101</u></u>

- 1 Accounting policies
- 14 Derivative financial instruments
- 15 Disclosure of fair values
- 16 Contractual obligations and contingencies, etc.
- 17 Related parties
- 18 Fee to the auditors appointed by the Company in general meeting
- 19 Appropriation of profit

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKKm	Share capital	Share premium account	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend	Total
	Equity at 1 January 2022	100	0	0	1,222	691	2,013
	Capital increase	10	141	0	0	0	151
19	Transfer, see "Appropriation of profit"	0	0	-31	31	639	639
	Transfer from share premium account	0	-141	0	141	0	0
	Exchange rate adjustments	0	0	23	0	0	23
	Other value adjustments of equity	0	0	8	0	0	8
	Dividend paid	0	0	0	0	-691	-691
	Equity at 31 December 2022	110	0	0	1,394	639	2,143

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of VELUX A/S for 2022 is presented in accordance with the provisions of the Danish Financial Statements Act applying for class C (large) companies.

The Company is included in the consolidated financial statements for VKR Holding A/S, Hørsholm, CVR no. 30 83 04 15. Pursuant to section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

Pursuant to section 86 (4) of the Danish Financial Statements Act, the Company presents no cash flow statement. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of VKR Holding A/S.

Reporting currency

The financial statements are presented in Danish kroner (DKKm).

External business combinations

Recently acquired enterprises are recognised in the financial statements from the date of acquisition. Enterprises sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired enterprises. Discontinued operations are presented separately, see below.

The date of acquisition is the date when the Company actually obtains control of the acquiree.

Acquisitions of enterprises are accounted for by using the purchase method, if controlling influence is achieved upon acquisition. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired enterprise and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments regarding the acquisition of a foreign enterprise with a functional currency different from the presentation currency used in the financial statements are accounted for as assets and liabilities belonging to the foreign enterprise and are, on initial recognition, translated into the foreign enterprise's functional currency using the exchange rate at the transaction date.

The consideration paid for an enterprise consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Transactions costs incurred as part of the acquisition are recognised in the income statement as incurred.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

If determination of the consideration transferred or measurement of the identifiable assets, liabilities or contingent liabilities is uncertain at the date of acquisition, initial recognition is made at provisional fair values. Adjustments to the provisional amounts (including change of goodwill) may be made retrospectively for up to 12 months following the date of acquisition and comparative figures are restated.

Gains or losses from disposal of subsidiaries which result in loss of control are calculated as the difference between the fair value of the selling price less transaction costs and the carrying amount of net assets.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which companies controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedges of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the fair value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated and qualifying as hedges of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on an ongoing basis.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and costs and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the costs incurred is recognised only in so far as it is probable that such costs will be recoverable from the counterparty.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income

Other operating income and costs comprise items of a secondary nature relative to the Company's core activities, including gains and losses on the sale of fixed assets.

Cost of goods

Cost of goods includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses comprise the year's expenses relating to the Company's core activities, including distribution costs and costs relating to sale, advertising, administration, premises, bad debts losses, operating leases, etc.

Employee costs

Employee costs include wages and salaries and pension to the Company's employees, as well as other social security contributions, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation and impairment

Amortisation and depreciation is provided on a straight line basis over the expected useful life.

The expected useful lives of the assets are as follows:

Completed development projects	3-5 years
Acquired patents	3-5 years
Goodwill	5-15 years
Land and buildings	30-40 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation is calculated taking into account any residual value after useful life and impairment losses. The depreciation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

Profit/loss from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement after full elimination of intra-group profit/loss according to the equity method.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Financial items include interest income and expenses, financing costs of finance leases, realised and unrealised gains and losses on securities, debt and transactions in foreign currencies, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company is jointly taxed with other group entities in the VKR Holding Group. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by VKR Holding A/S as the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is between 5 and 15 years. The amortisation period is based on the expected repayment period, and this is longest for strategic acquisitions with strong market positions and a long-term earnings profile.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on sale of intangible assets are recognised in the income statement as "Other operating income" or "Other operating expenses", respectively.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of assets manufactured by the company comprises the acquisition cost, costs directly related to the acquisition, engineering hours, including indirect production costs and borrowing costs.

Gains and losses on sale or disposals of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method. The Company has chosen to consider the equity method a consolidation method.

On initial recognition, investments in subsidiaries are measured at cost corresponding to the fair value of the purchase consideration excluding costs of acquisition. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Company's accounting policies eliminated for unrealised intra-group profits/losses.

Identified increases in value and goodwill, if any, compared to the underlying company's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is reduced from the carrying amount.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are recognised at cost in accordance with the FIFO method. If the net realisable value is lower than cost, inventories are written down to this lower value. The cost price for finished goods and raw materials and consumables comprises the purchase price plus delivery costs. The cost price for manufactured goods and work in progress comprises direct and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows.

Prepayments

Prepayments relate to goods and services not yet received and expenses incurred for goods and services, which will not be used until the subsequent financial year.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Given the nature of the VKR Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from affiliated companies".

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and participating interests compared to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised as a negative amount.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Other provisions comprise anticipated costs related to warranties, losses on work in progress, restructurings, pension obligations, etc.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience. Provisions that are expected to mature more than one year after the balance sheet date are discounted at average bond yields.

Restructuring provisions comprise severance pay to employees, losses incurred due to the termination of contracts, etc. following Management's decision to restructure the Company. Restructuring provisions are recognised when it has been decided to restructure the Company and the restructuring process has been initiated.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income taxes

Current joint taxation contribution payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured by the balance sheet liability method of all temporary differences between the accounting and taxable value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation. That will be either by elimination in tax on future earnings or against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of tax rules and at rates in the respective countries at the balance sheet date when the deferred tax is expected to become current tax. Changes in deferred tax due to changes in tax rates are recognised in the income statement except for items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received relating to income in subsequent financial years.

Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
EBIT-margin	$\frac{\text{EBIT} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{EBIT} \times 100}{\text{Average invested capital}}$

Invested capital:

Intangible assets + property, plant and equipment + other receivables + working capital

2 Segment information

The Company has not disclosed the breakdown of revenue by geographical and business segments, see section 96(1) of the Danish Financial Statements Act, as Management is of the opinion that such disclosure could be highly detrimental to the Company. The reason is that competitors can derive significant information about market shares and development in the business. It is considered to cause significant damage to the company if competitors can obtain this information, which is otherwise not public available.

DKKm	2022	2021
3 Employee costs		
Wages/salaries	1,166	1,017
Pensions	83	78
Other social security costs	11	10
	<u>1,260</u>	<u>1,105</u>
Average number of full-time employees	<u>1,299</u>	<u>1,241</u>
Remuneration to members of Management:		
Executive Board	66	52
Board of Directors	6	5
	<u>72</u>	<u>57</u>
4 Financial income		
Included interest income from affiliated companies	61	43
Other financial income	0	1
	<u>61</u>	<u>44</u>
5 Financial expenses		
Included interest expenses from affiliated companies	118	104
Other financial expenses	51	79
	<u>169</u>	<u>183</u>

Financial statements 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKKm	Completed development projects	Acquired intangible assets	Prepayments for intangible assets	Total
Cost at 1 January 2022	440	427	0	867
Additions	0	14	7	21
Disposals	0	-58	0	-58
Cost at 31 December 2022	440	383	7	830
Impairment losses and amortisation at 1 January 2022	440	343	0	783
Impairment losses	0	5	0	5
Amortisation	0	46	0	46
Disposals	0	-54	0	-54
Impairment losses and amortisation at 31 December 2022	440	340	0	780
Carrying amount at 31 December 2022	0	43	7	50

7 Property, plant and equipment

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Prepayments and assets under construction	Total
Cost at 1 January 2022	12	376	13	401
Additions	0	27	92	119
Disposals	-12	-32	-1	-45
Transferred	0	6	-6	0
Cost at 31 December 2022	0	377	98	475
Impairment losses and depreciation at 1 January 2022	6	327	0	333
Depreciation	0	23	0	23
Reversal of accumulated depreciation and impairment of assets disposed	-6	-32	0	-38
Impairment losses and depreciation at 31 December 2022	0	318	0	318
Carrying amount at 31 December 2022	0	59	98	157

Financial statements 1 January - 31 December

Notes to the financial statements

8 Investments

DKKm	Investments in subsidiaries	Receivables from affiliated companies	Other receivables	Total
Cost at 1 January 2022	6,338	770	3	7,111
Additions	151	125	1	277
Disposals	-23	-10	0	-33
Cost at 31 December 2022	6,466	885	4	7,355
Value adjustments at 1 January 2022	-321	-2	0	-323
Exchange rate and other adjustments	23	0	20	43
Dividends received	-426	0	0	-426
Profit/loss for the year	725	0	0	725
Changes in equity	8	0	0	8
Disposals	-20	0	0	-20
Value adjustments at 31 December 2022	-11	-2	20	7
Carrying amount at 31 December 2022	6,455	883	24	7,362

Name	Domicile
Subsidiaries	
DENMARK	
A/S Østbirk Bygningsindustri	Denmark
Gåsdal Bygningsindustri A/S	Denmark
Homecontrol A/S	Denmark
Thyregod Bygningsindustri A/S	Denmark
Velterm A/S	Denmark
VELUX Commercial Danmark A/S	Denmark
VELUX Danmark A/S	Denmark
VELUX NewCo A/S	Denmark
Vitral A/S	Denmark
SCANDINAVIA	
VELUX Suomi Oy	Finland
VELUX Commercial Bramo AS	Norway
VELUX Norge AS	Norway
VELUX Svenska AB	Sweden
REST OF EUROPE	
VELUX Commercial Österreich GmbH	Austria
VELUX Österreich GmbH	Austria
VELUX Belgium S. A.	Belgium
VELUX Bosna i Hercegovina d. o. o.	Bosnia and Herzegovina
VELUX Bulgaria EOOD	Bulgaria
VELUX Hrvatska d. o. o.	Croatia
BKR ČR, s.r.o.	Czech Republic
VELUX Česká republika, s. r. o.	Czech Republic
VELUX Eesti OÜ	Estonia
KH-SK France S.A.S.	France
Velsol France S.A.S.	France
VELUX France S.A.S.	France
VKR France S.A.S.	France
JET Schaumstoff-Formteile GmbH	Germany
JTJ Sonneborn Industrie GmbH	Germany
VELUX Commercial Deutschland GmbH	Germany
VELUX Commercial GmbH & Co. KG	Germany
VELUX Commercial Grundbesitz GmbH & Co. KG	Germany
VELUX Commercial Grundbesitz Holding GmbH	Germany
VELUX Commercial Holding GmbH	Germany
VELUX Commercial Production DE Hüllhorst GmbH	Germany
VELUX Commercial Production DE Voerde GmbH	Germany
VELUX Commercial Vermögensverwaltungsgesellschaft mbH	Germany
VELUX Deutschland GmbH	Germany
Altaterra Kft.	Hungary
VELUX Magyarország LKR Korilátolt Felelősségű Társaság	Hungary
VELUX Italia s.p.a.	Italy

Financial statements 1 January - 31 December

Notes to the financial statements

8 Investments (continued)

Name	Domicile
VELUX Latvia SIA	Latvia
"VELUX Lietuva", UAB	Lithuania
UAB "Vitrai"	Lithuania
Altaterra Polska Sp. z o.o.	Poland
NB Polska Sp. z.o.o.	Poland
NM Polska Sp. z.o.o.	Poland
VELUX Commercial Polska Sp. z. o.o	Poland
VELUX Polska Sp. z. o. o.	Poland
VELUX Portugal, Unipessoal Lda	Portugal
S.C. VELUX România S.R.L.	Romania
ZAO VELUX (in liquidation)	Russia
VELUX Srbija d.o.o.	Serbia
Partizánske Building Components-SK s.r.o.	Slovakia
VELUX Slovensko spol. s.r.o.	Slovakia
VELUX Slovenija d.o.o.	Slovenia
VELUX Spain, S.A.	Spain
VELUX Commercial Schweiz AG	Switzerland
VELUX Schweiz AG	Switzerland
Dakvenster.com B.V.	The Netherlands
JET BIK Producten B.V.	The Netherlands
JET BIK Projecten B.V.	The Netherlands
JET Group B.V.	The Netherlands
JET Group Holding B.V.	The Netherlands
JET Group International B.V.	The Netherlands
VELUX Nederland B.V.	The Netherlands
Daylighttechnics B.V.	The Netherlands
VELUX Ukraina TOV	Ukraine
JET Cox Ltd.	United Kingdom
V.U.K. HOLDINGS LIMITED	United Kingdom
VELUX Commercial Xtralite Ltd.	United Kingdom
VELUX Company Ltd.	United Kingdom
REST OF THE WORLD	
VELUX Argentina S.A.	Argentina
VELUX Australia Pty. Ltd.	Australia
VELUX Canada Inc.	Canada
VELUX Chile SpA	Chile
VELUX (CHINA) CO., Ltd.	China
VELUX-Japan Ltd.	Japan
VELUX New Zealand Ltd.	New Zealand
VELUX Cati Pencereleeri Ticaret Limited Sirketi	Türkiye
TVC Holdings LLC	USA
VELUX America LLC	USA
VELUX Design and Development USA LLC	USA
VELUX Greenwood LLC	USA
VELUX Group USA Inc.	USA
VELUX Sky Forwarding LLC	USA
VELUX Solutions LLC	USA

Information in the company overview is provided pursuant to section 97a, (3) of the Danish Financial Statements Act. The companies are 100% owned by VELUX A/S.

9 Prepayments

Prepayments comprise prepaid costs regarding rent, insurance premiums, marketing and subscriptions.

Financial statements 1 January - 31 December

Notes to the financial statements

10 Share capital

31 December 2022, the share capital comprises 110,000 shares of DKK 1,000 each. The share capital was increased by 10,000 shares of DKK 1,000 during the financial year 2022.

DKKm	2022	2021
11 Deferred tax		
Deferred tax at 1 January	-18	-8
Deferred tax adjustments for the year recognised in the income statement	-24	1
Prior year adjustment	9	-11
Acquisition of subsidiaries	0	0
Tax on equity transactions	0	0
Deferred tax at 31 December	<u>-33</u>	<u>-18</u>

31 December 2022, the Company has recognised tax assets of DKKm 33. The tax assets represent unused tax credits from timing differences of DKKm 33. Based on budgets until 2023, Management has considered that future taxable income will be available for utilisation of the tax assets.

12 Non-current liabilities other than provisions

DKKm	Total debt at 31/12 2022	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Payables to group entities	191	0	191	0
	<u>191</u>	<u>0</u>	<u>191</u>	<u>0</u>

13 Other provisions

The provisions mainly relate to warranty and restructuring provisions, of which DKKm 164 is expected to fall due within one year after the end of the financial year (2021: DKKm 87).

14 Derivative financial instruments

The Company has entered into power purchase agreements with sellers of electricity arising from solar renewable electric generating facilities. In these agreements the Company has an obligation to purchase electricity from these facilities for 10 years. The facilities deliver electricity directly to the grid and no physical exchange of energy or sale of energy will occur between the Company and the generating facilities.

The Company will settle a net amount with the generating facilities based on the difference between the spot price and an agreed minimum price. If the spot price is below the minimum price, then the Company shall pay the difference. If the spot price exceeds the minimum price, then the Company shall receive the difference up to an agreed maximum price.

Financial statements 1 January - 31 December

Notes to the financial statements

15 Disclosure of fair values

The Company has the following assets and liabilities measured at fair value:

DKKm	Derivative financial instruments
Fair value at year end	20
Unrealised changes in fair value for the year, recognised in the income statement	20
Fair value level	3

The fair value of the derivative financial instruments (level 3 in the fair value hierarchy) open on the balance sheet date is calculated by using the contracted minimum price, maximum price, and observable rates as of the balance sheet date combined with forward projections of the spot price for electricity. In the fair value assessment it is assumed that the spot price is above the maximum price for the remaining duration of the contract.

16 Contingent liabilities and other contractual obligations

Contractual obligations

The Company has entered into lease agreements with total contractual cash flows of DKKm 1,078, that falls due withing 5 years (2021: DKKm 371).

The Company has issued bank guarantees for a total of DKKm 43.

Contractual obligations against affiliated companies

The rental commitment on agreements with affiliated companies for premises amounts to DKKm 185 (2021: DKKm 355).

The Company is jointly taxed with other Danish companies in the VKR Group. The Company has unlimited joint and several liabilities with the other jointly Danish taxed companies for company taxes, interest thereon etc. and for Danish tax withheld at source for dividend, interest and royalties within the joint taxation group.

17 Related parties

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

The following transactions were not carried out on an arm's length basis:

Related party	Amount DKKm	Description of transaction
VKR Holding A/S	151	Capital increase

Significant influence and information about consolidated financial statements.

VKR Holding A/S ultimately exercise a controlling interest in the Company. The ultimate parent company, VKR Holding A/S, Breeeltevej 18, 2970 Hørsholm, prepares the consolidated financial statements for the VKR group in which the Company is included as a subsidiary. The consolidated financials statements can be found at www.vkr-holding.com.

Financial statements 1 January - 31 December

Notes to the financial statements

18 Fee to the auditors appointed by the Company in general meeting

Pursuant to section 96 (3) of the Danish Financial Statements Act, the fee to auditors is disclosed only in the consolidated financial statements of the parent company, VKR Holding A/S.

DKKm	<u>2022</u>	<u>2021</u>
19 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend	639	691
Net revaluation reserve according to the equity method	-31	-79
Retained earnings	<u>31</u>	<u>79</u>
	<u>639</u>	<u>691</u>